

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 STRE-00 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01
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O 101115Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 9439
INFO AMEMBASSY BRUSSELS
AMEMBASSY HELSINKI
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO

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BRUSSELS FOR USEEC
PARIS ALSO FOR OECD

PASS TREASURY
PASS STR ELECTRONICALLY

E.O. 11652: N/A
TAGS: ETRD, GATT
SUBJECT: GATT COUNCIL - EXPORT COST INFLATION INSURANCE
SCHEMES

1. SUMMARY: GATT SECRETARIAT (PATTERSON) HOSTED INFORMAL
MEETING MAY 9 OF KEY DELS TO DISCUSS CANADIAN PROPOSAL
FOR A GATT PANEL TO EXAMINE EXPORT COST INFLATION INSUR-
ANCE SCHEMES. GROUP MODIFIED ORIGINAL TERMS OF REFERENCE
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PROPOSED BY CANADIANS AND WILL MEET AGAIN MAY 16 TO DETER-
MINE IF AGREEMENT IS POSSIBLE BEFORE MAY 17 MEETING OF
GATT COUNCIL. END SUMMARY.

2. AT MAY 9 MEETING TO DISCUSS CANADIAN PROPOSAL FOR
ESTABLISHMENT OF GATT PANEL ON EXPORT COST INFLATION
INSURANCE SCHEMES, CANADIANS REPEATED TERMS OF REFERENCE

THEY HAD PROPOSED AT LAST MEETING OF COUNCIL: "TO MAKE A FINDING ON THE COMPATIBILITY OF EXPORT INFLATION INSURANCE SCHEMES MAINTAINED BY CERTAIN CONTRACTING PARTIES WITH THE PROVISION OF THE GENERAL AGREEMENT AND REPORT TO THE COUNCIL."

3. WE, SWEDEN AND SWITZERLAND SUPPORTED THESE TERMS OF REFERENCE, BUT THE UK AND FINN DELS ARGUED THAT TERMS OF REFERENCE WERE TOO BROAD AND NEEDED TO BE MORE CLEARLY SPECIFIED. UK DEL POINTED OUT THAT CANADIANS COULD GO TWO WAYS, A SPECIFIC COMPLAINT UNDER ARTICLE XXIII OF THE GENERAL AGREEMENT, IN WHICH CASE THEY WOULD NEED TO SINGLE OUT ONE EXPORT COST INFLATION SCHEME (OR SET UP A SEPARATE PANEL FOR EACH SCHEME) OR A PANEL TO LOOK INTO THE GENERAL QUESTION OF THE APPLICABILITY OF THE GENERAL AGREEMENT TO SUCH SCHEMES. IF THE CANADIANS WANTED THE LATTER, THE UK AND FINNS ARGUED, THE PANEL SHOULD EXAMINE THE APPLICABILITY OF SPECIFIC ARTICLES OF THE GA AND THESE SHOULD BE SPELLED OUT IN THEIR TERMS OF REFERENCE. UK ALSO REFERRED TO ARGUMENTS MADE IN THE WP ON THE QUESTION OF SELF-FINANCING OF SUCH SCHEMES AND OPINED THAT PANEL MIGHT FIND THESE SCHEMES DID NOT CONTRAVENE ARTICLE XVI IF CERTAIN CONDITIONS WERE MET. FINNS SECONDED THIS LINE OF REASONING AND ARGUED THAT ALL DOCUMENTATION OF WP SHOULD BE AVAILABLE TO PANEL. AFTER CONSIDERABLE HAGGLING, FOLLOWING TENTATIVE TERMS OF REFERENCE WERE WORKED OUT LIMITED OFFICIAL USE

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AD REFERENDUM:

"TO EXAMINE, TAKING INTO ACCOUNT THE REPORT OF THE WORKING PARTY, THE APPLICATION OF ARTICLE XVI TO EXPORT COST INFLATION INSURANCE SCHEMES AND TO REPORT ITS FINDINGS TO THE COUNCIL."

4. SWEDEN, SWITZERLAND AND FINLAND SAID THEY COULD SUPPORT THESE TERMS OF REFERENCE. NEITHER CANADIANS NOR THE UK WERE FULLY SATISFIED (CANADA BECAUSE THEY DID NOT SPECIFICALLY SPELL OUT THAT PANEL WAS TO DECIDE ON COMPATIBILITY OF SCHEMES WITH THE GA AND UK BECAUSE IT BELIEVED THAT TERMS OF REFERENCE WENT TOO FAR IN THIS DIRECTION), BUT EACH SAID IT WOULD RECOMMEND TERMS TO ITS GOVERNMENT. WE SAID WE THOUGHT WE MIGHT ACCEPT APPARENTLY NEUTRAL TERMS IF IT WERE UNDERSTOOD THAT PANEL WOULD MAKE A FINDING ON THE COMPATIBILITY OF SUCH SCHEMES WITH ARTICLE XVI. JAPANESE, ALTHOUGH INVITED, DID NOT ATTEND, AND EC REMAINED SILENT THROUGHOUT MEETING, EVIDENTLY STANDING ASIDE TO LET FRENCH AND UK MAKE THEIR OWN ARGUMENTS. FRENCH WERE WITHOUT INSTRUCTIONS AND, WITH MOUTON OUT OF TOWN, WERE REPRESENTED AT LOWER LEVEL. FRENCH SAID THEY

DID NOT OPPOSE A PANEL, WITHOUT SPECIFYING HOWEVER WHETHER PANEL SHOULD BE ESTABLISHED UNDER AUSPICES OF ARTICLE XXIII OR IN FORM PROPOSED BY CANADIANS. OTHERS APPEARED WILLING TO ACCEPT PANEL OF TYPE PROPOSED BY CANADIANS, IF TERMS OF REFERENCE WERE SPECIFIED TO MEET THEIR CONCERNS. NO DEL ATTEMPTED TO BROADEN TERMS OF REFERENCE TO BRING IN SCHEMES (SUCH AS EXCHANGE GUARANTEE INSURANCE) OTHER THAN EXPORT COST INFLATION INSURANCE PROGRAMS.

5. SINCE FRENCH INDICATED THAT THEY WOULD NOT HAVE INSTRUCTIONS BEFORE MAY 16, GROUP AGREED TO RECONVENE MORNING OF MAY 16 TO SEEK AGREEMENT ON TERMS OF REFERENCE. VANDEN HEUVEL

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